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ABSTRACT

This guide may be used by charter school operators in developing a business plan that can be used as a management tool in individual schools and in preparing applications for charters, renewals, and grants and loans. A sound business plan must reflect the school's ideas, assets, and needs clearly and succinctly. Drafting a business plan begins with considering: the experience and abilities of organizers; the needs of the school, its students and parents; and the resources available and required. Financial statements required for the business plan include: (1) an annual operating budget; (2) a monthly or quarterly cash flow; (3) projections for 3 to 5 years of income and expenses; and (4) an audited financial statement of the current year. A suggested business plan outline is presented that includes a summary description of the school, a market analysis, the description of a marketing strategy, a management plan, and financial data. A sample plan is presented for a charter school planned for approximately 270 students. (SLD)

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A Guide for Developing a Business Plan For Charter Schools

CHARTER FRIENDS
NATIONAL NETWORK
connecting and supporting state-level charter school initiatives

February 1998

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About this Guide...

This guide may be used by charter school operators in developing a business plan that can be used as a management tool in the operation of individual schools as well as preparing applications for charters, seeking renewals, and applying for grants and loans.

The guide was developed in consultation with both lenders and funders and draws heavily on the experience and previously published resource guides developed by two of the nation's leading experts on charter school financing and operations: **Eric Premack**, director of the California Charter School Development Center in Sacramento, and **Linda Brown**, director of the Massachusetts Charter School Resource Center in Boston.

The guide is being distributed by **Charter Friends National Network**, 1355 Pierce Butler Route, Suite 100, St. Paul, MN 55104; 612/644-5270; (voice) 612-645-0240 (fax); info@charterfriends.org (e-mail); www.charterfriends.org (web site). Individual copies are available to current and prospective school operators at no charge. An electronic version of the guide, including links to a number of additional resources, is available on the Friends Network web site and at the web site of the California Charter School Development Center at http://www.csus.edu/ier/charter/bizpl.html

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The role of a charter school business plan…

Charter school developers quickly realize that achieving their dreams for changing and improving education requires more than innovative strategies for teaching and learning. Charter schools have many of the same characteristics of start-up small businesses – and face many of the same challenges. The greatest strategies for teaching and learning won't have a chance to succeed if they aren't supported by fiscally and administratively sound organizations.

Achieving that goal requires many of the same skills and tools used by successful small business owners. One such management tool is a business plan – a plan for the financing and operations of a charter school over one or more years.

When developed and used properly, a business plan can also be an effective communication tool in seeking financing for your charter school – whether it comes from banks, other traditional lenders, community development agencies, local governments, or the philanthropic community.

To that end, this brief guide provides some simple, yet important, suggestions for those developing and operating charter schools who want to demonstrate that their school is on a strong fiscal footing. It shows how charters can begin to make the case that their school is a prime candidate for a loan or grant by answering the following fundamental questions:

- Is our schools' current year operating budget in balance?
- Does our school have adequate cash and "working capital" resources to meet our monthly expenses such as payroll, rent, and benefit costs?
- Is our school's long-term fiscal picture in focus and in balance?
- Has our school demonstrated (or has the school's development team demonstrated) that it has the capacity to implement (or establish) sound financial management practices.
- Charter schools that have developed such a business plan are in a strong position to make the case to prospective lenders or donors that their loan will be repaid in a timely manner or their grant will achieve its stated purpose.

Throughout this guide, there are references to on-line resources that will provide more detailed information or specific examples you can use in writing your own business plan and related budgets. A good place to begin is the "US Charterschools" charter school finance resource page with its many links to other charter school financial planning and management resources. That site is located at: http://www.uscharterschools.org/tech_assist/ta_finance.htm

Starting with the basics – a clear understanding of your assets and your needs…

To assist charter school developers achieve their educational goals, a sound business plan must reflect the school's ideas, assets, and needs both clearly and succinctly. It could also be a

component in a larger school-wide strategic plan that addresses the school's short and long-term educational and financial plans in greater detail (See pages 7-9 for the San Carlos (CA) Charter Family Learning Center's long-term strategic plan.)

Before actually developing your business plan you might ask yourself a series of questions that help inventory your assets and needs and help maximize the use of every resource available to you in launching your school. Although some of these questions seem very basic, they can be helpful to newer charter school developers in inventorying and making the best use of your resources. Remember, this list of questions is a tool to use in preparing to begin working on your business plan. The answers don't belong in the business plan, itself.

Questions to address in preparing to draft a charter school business plan...

1) Have you or your colleagues worked in a school and/or educational setting similar to the one you want to start?
2) Have you or any of your colleagues had any formal business and/or education training?
3) Do you know how much money you will need to get the school started?
4) Have you decided on a marketing plan?
5) Have you talked with other school developers/operators about what they think of the school?
6) Can you determine the amount of money you should receive in terms of cost per student?
7) Have you tried to find out how well schools similar to the one you want to open are doing in your community and in the rest of the country?
8) If you need to hire someone to help you, do you know where to look?
9) Do you know what insurance or other benefits to provide your employees?
10) Do you have a plan for training your employees?
11) Have you talked with the parents and schools (both public and private) in the area?
12) Have you determined the type of payment you intend to accept for student fees, etc.?
13) Have you talked with an insurance agent about what kind of insurance you need?
14) Do you know what equipment and supplies you will need and how much they will cost?
15) Can you save money by buying second-hand equipment?
16) Have you compared the prices and credit terms of different suppliers?

Financial statements to include in your business plan...

Especially when you're developing a business plan for an entirely new school you'll need to make projections based certain assumptions about your income and expenses. These assumptions should be detailed in your business plan with supporting documentation from research you've done. Since the number of students you will be able to attract in your first and subsequent years is such a critical variable, your business plan should include the research you've done on your student market and marketing strategies you intend to use to attract students.

The projected financial statements should also take into account possible changes in the economy that might affect your revenue and fluctuations during the year in your revenue flow from the state

or other sources. For instance, if your school receives fees and funds from the state on a delayed basis, cash flow may be a problem if expenses can't also be delayed. Your financial projections should also indicate anticipated fluctuations in expenses – for example, if heating your school costs more during certain months or if one-time expenses for supplies must be incurred at the beginning of the year.

To help document and plan for the financing needs of your school, there are four types of financial statements that should be included in your business plan:

1) An annual operating budget (required in your business plan)

An annual operating budget has as its "bottom line" a calculation of your various sources of income minus expenses, equaling either a projected profit or loss for the year. The budget should show revenues by source (e.g., state aid, federal aid, grants, fees, etc.) and expenditure by category (e.g., salaries, benefits, rent, materials, books, services, professional training, utilities, insurance, etc.) for the first year of operations (or upcoming fiscal year for a pre-existing school). For the first year the annual budget should be organized on a monthly basis. (See page 10 for a hypothetical charter school annual operating budget.)

2) A monthly or quarterly cash flow statement

A monthly or annual cash flow statement will show the cash generated and collected from school operations and is generally required by lenders or funders unless your annual budget is broken into monthly columns. This statement will include the same income and expense categories as the annual operating budget. However, it takes last month quarter and previous cash and adds that into total cash receipts for the new month/quarter. Naturally, if the school's annual revenues arrive at the school later than its expenditures must be paid, the school will need "working capital" (e.g., a short-term cash flow loan) in order to pay its expenses on time. (See pages 11-12 for an example of a hypothetical charter school monthly cash flow budget.)

3) Three-to-five-year projections of income and expenses (required in your business plan)

A three to five-year projection of anticipated income and expenses will show the planned growth, development and needs of your school over time. This is particularly important for start-up schools that anticipate growth in enrollment due to a gradually expanding number of grades or increasing number of sections in each grade. A rule of thumb when forecasting: "be as conservative and as realistic as possible." (See pages 13-15 for a hypothetical charter school five-year budget; and a sample of a five year charter school budget included in the "Charter School Handbook" developed and published by the Massachusetts Charter School Resource Center.)

4) An audited financial statement of the most current year

Of course, this applies for established schools and those schools that are fiscally independent of

their charter sponsor. An audited financial statement is one developed by an external, certified public accountant. Schools that are in the planning stages, or in the first year of operations, and do not yet have an annual audited financial statement, should develop a set of financial management policies. These policies would specify who is responsible for preparing and monitoring the school's budget and how the "powers of the purse" are distributed within the school among board members, staff, and others.

Suggested business plan outline

Once you have answered the above questions and assembled the above financial statements, you are ready to begin writing your charter school business plan. To ease your process of assembling information, the following suggested outline has been prepared. All of these sections are generally required by lenders and funders, with the exception of the first overview section. However, having a good concise description of your school will make your grant or loan application easier to consider and will help put your request in an easier understood context.

Remember a good business plan doesn't have to be a book-length document. The following information should be concisely organized in no more than 3-4 pages. In some cases, information may be omitted if it would duplicate information required in charter applications or applications for loans or grants.

I. **Summary description of the school**
   - A. Name and address
   - B. School description (grade levels, etc.)
   - C. Mission statement
   - D. Instructional focus
   - E. Governance/administrative structure
     - * Charter accountability (describe briefly how your school plans to remain viable at the time its charter is up for renewal)
     - * Relationship with charter granting agency

II. **Market analysis**
   - A. Description of total market/district(s) which the school will serve
   - B. Target market/student population (what segment of district's population you plan to serve?)
   - C. Competition - other school(s) seeking the same student population, including private, public, magnet, parochial and other charter schools

III. **Marketing strategy**
   - A. Overall strategy (building awareness among students and parents)
   - B. Specific admission and recruiting plans and policies

IV. **Management plan**

A. Form of business organization (for-profit or non-profit corporation)
B. Board of directors (owners, partners, or governing board)
C. Administrator(s): organizational chart and responsibilities (if applicable)
D. Resumes of key personnel (omit if included with your application)
E. Staffing plan/number of employees
F. Facility plan/planned capital improvements (omit if included with your application)
G. Operating plan/schedule of work for the next year

V. **Financial data**

A. The appropriate financial statements described above. Your business plan must include at least the annual operating budget and the three-to-five-year projections.
B. Explanation of assumptions behind your projections
C. Explanation of use and impact of funds being requested in your grant or loan request

San Carlos Charter Learning Center
Strategic Plan
1995 - 2000

Financials

The Charter considers the community to be its classroom.

Originally, charter schools received no startup funding, so the SCCLC would not have been able to open, without substantial grants from philanthropic organizations. An important goal of this plan is to ensure that our school can become self-sustaining with respect to recurring annual costs. Grants will still be aggressively pursued, but their focus will change to funding creative new research and development projects that can enhance our programs and disseminate what we have learned.

The following simplified budgets indicate that the SCCLC program would not have been feasible to date, were it not for the successful attraction of philanthropic grants. Until our enrollment reaches approximately 270 students--our planned steady state level--it will not be possible to be fully self-sustaining without such grants. Our plan is to continue seeking grants after achieving self-sufficiency, but to use these additional revenues for pro-active research and development activities rather than mere survival.

The forecasts which follow were created based on these assumptions:

- Enrollment increases to 260 (steady-state 270) due to break-even analysis
- No increase in A.D.A., lottery, school improvement or instructional supplies
- Educare revenues grow as a steady percentage enrollment
- Each additional full-time staff position costs $35,000+benefits:
    - annual staff bonuses included as lump sums
- Costs for substitute teachers increase at 5% per year
- 6.68% of A.D.A. is paid to the district for central services
- Salary increases as a percentage of historical data
- Furniture, instructional materials, and equipment roughly constant

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- Facilities costs increase proportionally to number of classrooms

Expense Definitions

Staff Related

Includes salaries and benefits for educators, administrators, substitutes, secretary, staff development, Educare, technology and instructional assistants.

Learner Related

Includes books, instructional supplies, copying, and office.

Site Related

Includes rent, maintenance, utilities, technology maintenance.

Contracted Services

Includes special education, legal and district services.

Historical Data: Unaudited Actuals, 1996-1997

Revenue	A.D.A. Revenue ($3,100*132)	$409,200
	Other revenue ($208*132)	27,456
	Grants	154,200
	Educare Revenue	24,910
	One-Time Startup Funds	25,000
	Class Size Reduction (650*45)	29,250
Total Revenue		$670,016
Expenses	Staff Related	$432,514
	Learner Related	33,500
	Site Related	94,940
	Contracted Services	42,166
	Furniture and Equipment	12,000
Total Expenses		$615,120
	Surplus (Deficit)	$54,896

Pro-Forma Data

Forecast, 1997-1998

Revenue	A.D.A. Revenue ($3,100*156)	$483,600
	Other revenue ($218*156)	34,008
	Grants	70,000
	Educare Revenue	29,439
	Class Size Reduction (800*80)	64,000
	Rollover from 1996-1997	$54,896
Total Revenue		$735,943
Expenses	Staff Related	$483,053
	Learner Related	47,500

	Site Related	100,840
	Contracted Services	49,962
	Furniture and Equipment	7,000
Total Expenses		$688,355
	Surplus (Deficit)	$47,588

Forecast, 1998-1999

Revenue	A.D.A. Revenue ($3,100*230)	$713,000
	Other revenue ($218*230)	50,140
	Grants	70,000
	Educare Revenue	43,404
	Class Size Reduction (800*90)	72,000
	Rollover from 1997-1998	47,588
Total Revenue		$996,132
Expenses	Staff Related	$634,370
	Learner Related	70,032
	Site Related	112,640
	Contracted Services	73,567
	Furniture and Equipment	12,000
	Grant-related R&D	50,000
Total Expenses		$952,609
	Surplus (Deficit)	$43,523

Forecast, 1999-2000

Revenue	A.D.A. Revenue ($3,100*260)	$806,000
	Other revenue ($218*260)	56,680
	Grants	70,000
	Educare Revenue	49,065
	Class Size Reduction (800*120)	96,000
	Rollover from 1998-1999	43,523
Total Revenue		$1,121,268
Expenses	Staff Related	$685,209
	Learner Related	79,167
	Site Related	124,440
	Contracted Services	83,162
	Furniture and Equipment	12,000
	Grant-related R&D	70,000
Total Expenses		$1,053,978
	Surplus (Deficit)	$67,290

Hypothetical Charter School Annual Operating Budget		
Major Assumptions:	-10-	
Number of students	280	Assuming K-6, 2 classes of 20 per grade
Facility square footage	18,200	Assuming 65 square feet per student
Student:teacher ratio	20:01	
Average teacher salary	$ 37,500	
REVENUES		
State and local foundation aid	$ 1,176,000	Assuming $4,200 per student
State categorical funding	98,000	Assuming $350 per student
Federal categorical funding	98,000	Assuming $350 per student
Grants and fundraising	65,000	
Total Revenues	$ 1,437,000	
EXPENDITURES		
Salaries		
Director	$ 65,000	
Teachers	525,000	14 teachers at average salary of $37,500
Instructional aides	154,000	7 at $22,000 each
Secretary	24,000	
Benefits		
Retirement	76,800	Assume state retirement system at 10 percent of salaries
Health	66,240	Assume $240/month per employee
FICA	11,136	Assume Medicare only, exempt from Social Security
Other	19,200	Assume 2.5 percent of salaries for workers' comp, unemployment insurance, and other payroll costs
Books and Supplies		
Texts and instructional materials	35,000	Assume $125 per student
Other books	21,000	Assume $75 per student
Software	10,000	Assume 40 computers at $250 each
Classroom paper and supplies	28,000	Assume $100 per student
Office supplies	2,400	Assume $200/month
Janitorial supplies	3,600	Assume $300/month
Services and Contracts		
Custodial	12,350	Assume 190 days at $65
Bookeeping & Audit	12,000	Assume $500/month bookeeping, $6,000 audit
Legal	8,000	Assume $6,000 retainer, $2,000 reserve
Liability & property insurance	10,000	
Waste disposal	1,800	Assume $150/month
Student testing & assessment	7,000	Assume $25 per student
Staff development	22,500	Assume $1,500/teacher plus director
Special education consultant	56,000	Assume $200 per student average cost
Travel & conferences, board retreat	13,750	Assume $750 per teacher, plus $2,500 board retreat
Internet provider	8,640	Assume 40 accounts at $18/month
Postage	1,440	Assume $120/month
Copier lease	3,000	Assume $250/month
Facilities and Capital		
Rent/lease/mortgage	185,640	Assume triple net least at $0.85/square foot
Replace furnishings & equipment	28,000	Assume $100/student
Gas/electric	5,400	Assume $450 per month
Phone	2,400	Assume $200 per month
Security alarm	1,200	Assume $100/ per month
Total Expenditures	1,420,496	
Surplus (Deficit)	16,504	

Hypothetical Charter School Monthly Cash Flow

	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
REVENUES												
State and local foundation aid		106,909	106,909	106,909	106,909	106,909	106,909	106,909	106,909	106,909	106,909	106,909
State categoncal funding		8,909	8,909	8,909	8,909	8,909	8,909	8,909	8,909	8,909	8,909	8,909
Federal categoncal funding		8,909	8,909	8,909	8,909	8,909	8,909	8,909	8,909	8,909	8,909	8,909
Grants and fundraising	65,000											
Total Revenues	65,000	124,727	124,727	124,727	124,727	124,727	124,727	124,727	124,727	124,727	124,727	124,727
EXPENDITURES												
Salaries												
Director	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417
Teachers			52,500	52,500	52,500	52,500	52,500	52,500	52,500	52,500	52,500	52,500
Instructional aides			15,400	15,400	15,400	15,400	15,400	15,400	15,400	15,400	15,400	15,400
Secretary	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Benefits												
Retirement	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400
Health	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520	5,520
FICA	928	928	928	928	928	928	928	928	928	928	928	928
Other	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Books and Supplies												
Texts and instructional materials				17,500	17,500							
Other books				10,500	10,500							
Software				5,000	5,000							
Classroom paper and supplies			2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Office supplies	200	200	200	200	200	200	200	200	200	200	200	200
Janitorial supplies			360	360	360	360	360	360	360	360	360	360
Services and Contracts												
Custodial			1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235
Bookkeeping & Audit	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Legal	667	667	667	667	667	667	667	667	667	667	667	667
Liability & property insurance		10,000										
Waste disposal	150	150	150	150	150	150	150	150	150	150	150	150
Student testing & assessment					3,500						3,500	
Staff development					11,250						11,250	
Special education consultant			5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600
Travel, conferences, board retreat						6,875					6,875	

Internet provider			864	864	864	864	864	864	864	864	864	864
Postage	120	120	120	120	120	120	120	120	120	120	120	120
Copier lease	250	250	250	250	250	250	250	250	250	250	250	250
Facilities/Capital												
Rent/lease/mortgage	30,940	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	
Replace furnishings & equipment						14,000				14,000		
Gas/electnc	450	450	450	450	450	450	450	450	450	450	450	450
Phone	200	200	200	200	200	200	200	200	200	200	200	200
Security alarm	100	100	100	100	100	100	100	100	100	100	100	100
Total Expenditures	55,941	50,471	119,230	152,230	166,980	140,105	119,230	119,230	119,230	133,230	140,855	103,760
Monthly Surplus (Deficit)	9,059	74,256	5,497	(27,503)	(42,253)	(15,378)	5,497	5,497	5,497	(8,503)	(16,128)	20,967
Cash in Bank (Cash Deficit)	$ 9,059	83,315	88,812	61,308	19,055	3,677	9,174	14,671	20,168	11,665	(4,463)	16,504

Hypothetical Charter School Five Year Budget Projection					
	Current	Year	Year	Year	Year
Assumptions	Year	2	3	4	5
Revenue Growth		0.025	0.025	0.025	0.025
State & local government price deflator (COLA)		0.025	0.025	0.025	0.025
Number of additional students/staff		0/0	0/0	0/0	0/0
ESTIMATED REVENUES					
State and local foundation aid	$1,176,000	$1,205,400	$1,235,535	$1,266,423	$1,298,084
State categorical funding	98,000	100,450	102,961	105,535	108,174
Federal categorical funding	98,000	100,450	102,961	105,535	108,174
Grants and fundraising	65,000	66,625	68,291	69,998	71,748
Total Revenues	$1,437,000	$1,472,925	$1,509,748	$1,547,492	$1,586,179
ESTIMATED EXPENDITURES					
Salaries					
Director	$ 65,000	$ 66,625	$ 68,291	$ 69,998	$ 71,748
Teachers	525,000	538,125	551,578	565,368	579,502
Instructional aides	154,000	157,850	161,796	165,841	169,987
Secretary	24,000	24,600	25,215	25,845	26,492
Benefits					
Retirement	76,800	78,720	80,688	82,705	84,773
Health	66,240	67,896	69,593	71,333	73,117
FICA	11,136	11,414	11,700	11,992	12,292
Other	19,200	19,680	20,172	20,676	21,193
Books and Supplies					
Texts and instructional materials	35,000	35,875	36,772	37,691	38,633
Other books	21,000	21,525	22,063	22,615	23,180
Software	10,000	10,250	10,506	10,769	11,038
Classroom paper and supplies	28,000	28,700	29,418	30,153	30,907
Office supplies	2,400	2,460	2,522	2,585	2,649
Janitorial supplies	3,600	3,690	3,782	3,877	3,974
Services and Contracts					
Custodial	12,350	12,659	12,975	13,300	13,632
Bookeeping & Audit	12,000	12,300	12,608	12,923	13,246
Legal	8,000	8,200	8,405	8,615	8,831
Liability & property insurance	10,000	10,250	10,506	10,769	11,038
Waste disposal	1,800	1,845	1,891	1,938	1,987
Student testing & assessment	7,000	7,175	7,354	7,538	7,727
Staff development	22,500	23,063	23,639	24,230	24,836
Special education consultant	56,000	57,400	58,835	60,306	61,814
Travel & conferences, board retreat	13,750	14,094	14,446	14,807	15,177
Internet provider	8,640	8,856	9,077	9,304	9,537
Postage	1,440	1,476	1,513	1,551	1,589
Copier lease	3,000	3,075	3,152	3,231	3,311
Facilities and Capital					
Rent/lease/mortgage	185,640	190,281	195,038	199,914	204,912
Replace furnishings & equipment	28,000	28,700	29,418	30,153	30,907
Gas/electric	5,400	5,535	5,673	5,815	5,961
Phone	2,400	2,460	2,522	2,585	2,649
Security alarm	1,200	1,230	1,261	1,292	1,325
Total Expenditures	$1,420,496	$1,456,008	$1,492,409	$1,529,719	$1,567,962
Surplus/(Deficit)	$ 16,504	$ 16,917	$ 17,340	$ 17,773	$ 18,217

"ABC" Charter School Operating Budget: Year 1 through Year 5

Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Per Pupil Revenue	$975,000	$1,171,625	$1,379,170	$1,598,113	$1,828,952
Fees	$15,000	$17,500	$20,000	$22,500	$25,000
Student Entitlements	$75,000	$87,500	$100,000	$112,500	$125,000
Total Revenue	**$1,065,000**	**$1,276,625**	**$1,499,170**	**$1,733,113**	**$1,978,952**
Expenses	Year 1	Year 2	Year 3	Year 4	Year 5
SALARIES AND BENEFITS					
Salary-Teachers	$300,000	$408,000	$457,776	$509,380	$606,162
Salary-Administrators	$67,500	$91,800	$93,636	$143,263	$146,128
Salary-Support Staff	$37,500	$51,000	$52,020	$79,591	$81,182
Salary: SPED/Bilingual Staff	$60,000	$81,600	$83,232	$127,345	$129,892
Benefits: Health	$60,000	$80,000	$85,000	$105,000	$115,000
Benefits-FICA	$34,875	$47,430	$51,500	$64,468	$72,252
Benefits-Workers' Comp	$9,300	$12,648	$13,733	$17,192	$19,267
Benefits-Medicare	$6,743	$9,170	$9,957	$12,464	$13,969
Staff Development	$6,000	$8,000	$8,500	$10,500	$11,500
Subtotal	$581,918	$789,648	$855,354	$1,069,203	$1,195,352
SERVICES AND ACTIVITIES					
Special Education/Guidance	$75,000	$87,500	$100,000	$112,500	$125,000
Health	$22,500	$26,250	$30,000	$33,750	$37,500
Custodial	$15,000	$15,000	$17,500	$17,500	$20,000
Transportation	$15,000	$17,500	$20,000	$22,500	$25,000
Media	$7,500	$8,750	$10,000	$11,250	$12,500
Food	$30,000	$35,000	$40,000	$45,000	$50,000
Accounting	$6,000	$6,000	$6,000	$6,000	$6,000
Insurance	$15,000	$17,500	$20,000	$22,500	$25,000
Telephone	$6,000	$6,000	$6,000	$6,000	$6,000
Postage and Shipping	$15,000	$17,500	$20,000	$22,500	$25,000
Phys. Ed. & Extracurricular Activities	$15,000	$17,500	$20,000	$22,500	$25,000
Subtotal	$222,000	$254,500	$289,500	$322,000	$357,000
SUPPLIES AND EQUIPMENT					
Supplies-Instructional	$45,000	$52,500	$60,000	$67,500	$75,000
Supplies-Administrative	$3,000	$4,000	$4,000	$6,000	$6,000
Supplies-General	$15,000	$17,500	$20,000	$22,500	$25,000
Computers	$30,000	$10,000	$10,000	$10,000	$10,000
Furniture	$15,000	$2,500	$2,500	$2,500	$2,500
Athletic Equipment	$15,000	$2,500	$2,500	$2,500	$2,500
Other Equipment	$15,000	$2,500	$2,500	$2,500	$2,500
Subtotal	$138,000	$91,500	$101,500	$113,500	$123,500
MARKETING AND DEVELOPMENT					
Printing	$2,500	$5,000	$5,000	$5,000	$5,000
Advertising	$5,000	$7,500	$7,500	$7,500	$7,500
Subtotal	$7,500	$12,500	$12,500	$12,500	$12,500
PHYSICAL PLANT					
Rent	$175,000	$175,000	$225,000	$225,000	$250,000
Utilities	$10,000	$10,000	$15,000	$15,000	$20,000
Maintenance and Repairs	$10,000	$10,000	$10,000	$10,000	$10,000
Renovations	$-	$-	$-	$-	$-
Subtotal	$195,000	$195,000	$250,000	$250,000	$280,000
LOAN RE-PAYMENTS					
Debt Service	$4,960	$5,280	$4,968	$3,974	$3,180
Principal	$11,000	$13,800	$11,040	$8,832	$7,066
Subtotal	$15,960	$19,080	$16,008	$12,806	$10,246
Total Expenses	**$1,160,378**	**$1,362,228**	**$1,524,862**	**$1,780,009**	**$1,978,598**
EXCESS (DEFICIT)	**$(95,378)**	**$(85,603)**	**$(25,692)**	**$(46,896)**	**$354**
Grants and Loans					
GOVERNMENT GRANTS	$25,000	$-	$-	$-	$-
PRIVATE GRANTS	$50,000	$75,000	$75,000	$75,000	$75,000
LOANS	$25,000	$5,000	$-	$-	$-
Total Grants and Loans	**$100,000**	**$80,000**	**$75,000**	**$75,000**	**$75,000**
BEGINNING FUND BALANCE	**$1,000**	**$5,622**	**$19**	**$49,327**	**$77,431**
ENDING FUND BALANCE = "Beginning Fund Balance" + "Excess Deficit" + "Grants and Loans"	**$5,622**	**$19**	**$49,327**	**$77,431**	**$152,785**

"ABC" Charter School Five Year Budget - continued

Key Variables	Year 1	Year 2	Year 3	Year 4	Year 5
Number of students (FTE)	150	175	200	225	250
Number of teachers	8	10	11	12	14
Number of administrators	2	2	2	3	3
Number of support staff	2	2	2	3	3
Number of SPED/bilingual staff	2	2	2	3	3
Students per teacher	20	18	18	18	18
Students per administrator	100	75	75	75	75
Students per support staff	100	75	75	75	75
Students per SPED/bilingual staff	100	75	75	75	75
Salary: Teacher	$40,000	$40,800	$41,616	$42,448	$43,297
Salary: Administrator	$45,000	$45,900	$46,818	$47,754	$48,709
Salary: Support staff	$25,000	$25,500	$26,010	$26,530	$27,061
Salary: SPED/bilingual staff	$40,000	$40,800	$41,616	$42,448	$43,297
Payment per student	$6,500	$6,695	$6,896	$7,103	$7,316
Fees per student	$100	$100	$100	$100	$100
Entitlements per student	$500	$500	$500	$500	$500
Total principal owed at beginning of fiscal year	$55,000	$69,000	$55,200	$44,160	$35,328
Annual real growth in teacher salary		2%	2%	2%	2%
Annual real growth in administrator salary		2%	2%	2%	2%
Annual real growth in support staff salary		2%	2%	2%	2%
Annual real growth in SPED/bilingual staff salary		2%	2%	2%	2%
Annual real growth in payments per student		3%	3%	3%	3%
Annual real growth in fees per student		3%	3%	3%	3%
Annual real growth in entitlements per student		0%	0%	0%	0%
Annual increase in students (FTE)		25	25	25	25
Interest rate	8%	8%	8%	8%	8%
Inflation rate	0%	0%	0%	0%	0%
Square feet	17,500	17,500	22,500	22,500	25,000
Average debt	$62,000	$66,000	$62,100	$49,680	$39,744

Notes

- All projections made in this budget are in FY95 dollars, so that amounts may be evaluated in terms of consistent purchasing power (i.e., inflation rate = 0%). All increases are thus in real dollar terms.
- Increase in per-pupil revenues is due to an expected ratcheting-up of real-dollar spending by 3% annually.
- For Year 3, we project renting 5,000 square feet of additional space to accommodate the increased student population. As a result, total rent increases by $50,000 and utilities increase 50%.
- See Year 1 operating budget for remaining assumptions.

The long-range budget can be computed for as many years as you desire; as per the DOE Charter School Application, we will prepare a five-year budget. In constructing the long-range budget, follow these steps:

- Use your first-year operating budget, extrapolate to the next four years, noting the assumptions you make about inflation, enrollment growth, etc.
- Add any planned new expenditures.
- Calculate figures for net annual operating costs and net current fund balances.

A five-year budget for the "ABC" Charter School is shown at left and above.

About the growing role of "Charter Friends..."

Charter Schools are borne out of the passion and commitment of their founders and the educational needs of the students and communities they serve. But, even the best charter founders and operators cannot exist entirely in isolation. They require an infrastructure of technical and informational support to help design quality schools, obtain charters, and launch and successfully sustain their school operations.

In response to these needs, a number of **state and sub-state resource centers and other charter support organizations** are emerging throughout the country. Some of these organizations were initially established to help build public awareness and legislative support for state charter school laws. Once laws are passed, their attention tends to focus on recruiting and assisting charter applicants and providing charter operators ongoing technical assistance and other forms of support.

These "Charter Friends" organizations assist charters with a **variety of issues and needs** including school planning, governance, financing, curriculum, assessment and accountability, and other ingredients in starting and running high quality schools. Most are privately funded non-profit organizations, but they sometimes charge fees to help cover the cost of their operations. They attract fiscal and administrative support from foundations, businesses, think tanks, academic institutions, and individuals. They are most often organized on a state-level, but sometimes have a more narrow geographic focus within a state.

About the Charter Friends National Network...

Just as no charter school can succeed in total isolation, state and sub-state "Charter Friends" organizations have found value in the relationships and support they gain from each other. With charter schools now authorized in 29 states and the District of Columbia, both the number of these organizations and the potential for mutual shared support have grown rapidly.

In response to these needs and opportunities, **Charter Friends National Network** was established in early 1997 as a project of the St. Paul-based Center for Policy Studies in cooperation with Hamline University.

The Network's mission is to **promote the charter opportunity by helping start and strengthen resource centers and other state-level charter support organizations**. The Network pursues its mission through publications, conferences, on-line communications, a grant program, and multi-state initiatives on high priority issues. In 1998, these initiatives include charter school accountability, facilities financing, and governance.

Charter Friends National Network began as an expansion of the work of **Ted Kolderie**, senior associate at the Center for Policy Studies and a leader in the national charter movement from its beginning. Its director is **Jon Schroeder**, a veteran Minnesota policy analyst and journalist who played a major role in the design and passage of the federal charter grant program while policy director for former U.S. Senator Dave Durenberger. Leading the Network's outreach initiative is **Eric Premack**, who heads the Charter School Development Center at California State University in Sacramento and is one of the nation's top experts on both charter school policy and operations.

For more information on the Network and its activities or to obtain additional copies of this guide contact: **Charter Friends National Network**, 1355 Pierce Butler Route, Suite 100, St. Paul, MN 55104; 612/644-5270 (voice); 612-645-0240 (fax); info@charterfriends.org (e-mail); www.charterfriends.org (web site). Individual copies of the guide are available to current and prospective school operators at no charge.

CHARTER FRIENDS
NATIONAL NETWORK

connecting and supporting state-level charter school initiatives

A project of the Center for Policy Studies in cooperation with Hamline University

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